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## SECURITIES AND EXCHANGE COMMISSION

[Release No. IA-3957 / 803-00221]

Ares Real Estate Management Holdings, LLC; Notice of Application

October 22, 2014.

AGENCY: Securities and Exchange Commission (“Commission”).

ACTION: Notice of application for an exemptive order under Section 206A of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rule 206(4)-5(e).

Applicant: Ares Real Estate Management Holdings, LLC (formerly known as AREA Management Holdings, LLC) (“Applicant”).

Relevant Advisers Act Sections: Exemption requested under section 206A of the Advisers Act and rule 206(4)-5(e) from rule 206(4)-5(a)(1) under the Advisers Act.

Summary of Application: Applicant requests that the Commission issue an order under section 206A of the Advisers Act and rule 206(4)-5(e) exempting it from rule 206(4)-5(a)(1) under the Advisers Act to permit Applicant to receive compensation for investment advisory services provided to a government entity within the two-year period following a contribution by a covered associate of Applicant to an official of the government entity.

Filing Dates: The application was filed on December 23, 2013, and amended and restated applications were filed on April 28, 2014, and July 15, 2014.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on November 17, 2014,

and should be accompanied by proof of service on Applicant, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to rule 0-5 under the Advisers Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

ADDRESSES: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090. Applicant, Ares Real Estate Management Holdings, LLC, c/o Michael Weiner, 2000 Avenue of the Stars, Los Angeles, CA 90067.

FOR FURTHER INFORMATION CONTACT: Brian McLaughlin Johnson, Senior Counsel, or Melissa R. Harke, Branch Chief, at (202) 551- 6825 (Division of Investment Management, Chief Counsel's Office).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained via the Commission's website either at <http://www.sec.gov/rules/iareleases.shtml> or by searching for the file number, or for an applicant using the Company name box, at <http://www.sec.gov/search/search.htm>, or by calling (202) 551-8090.

Applicant's Representations:

1. Applicant is a limited liability company organized in Delaware and registered with the Commission as an investment adviser under the Advisers Act.<sup>1</sup> Applicant serves as investment adviser to several real estate-focused private investment funds (the "Funds") in which one of the investors is a Colorado public pension plan (the "Client"). The investment decisions

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<sup>1</sup> In May of 2013, Applicant entered into an agreement with Ares Management LLC ("Ares") pursuant to which Ares agreed to acquire 100% ownership of the Applicant (the "Acquisition"). The Acquisition closed in July 2013. After the Acquisition closed, Applicant became an indirect wholly-owned subsidiary of Ares and Applicant's name was changed from "AREA Management Holdings, LLC" to "Ares Real Estate Management Holdings, LLC."

for the Client are overseen by a board of trustees composed of eleven members, three of whom are appointed by the Governor of Colorado.

2. On or about February 11, 2013, Lee Neibart, a senior management executive and senior partner of the Applicant (the “Contributor”), made a contribution of \$1,100 (the “Contribution”) to the campaign of John Hickenlooper, the Governor of Colorado (the “Official”). Applicant represents that the amount of the Contribution, profile of the candidate, and characteristics of the campaign fall generally within the pattern of the Contributor’s other political donations.

3. Applicant represents that the Contributor has confirmed that he has not, at any time, had any contact with the Official regarding the Client’s investment activities with the Applicant, or otherwise met or spoken with or otherwise communicated with the Official.

4. Applicant represents that the Client’s relationship with the applicant pre-dates the Contribution and that no investments were made by the Client in the Funds after the Contribution. The Client made its first investment in the Funds in 1996, and made its most recent investment in the Funds in 2007, almost six years before the Contribution was made and three years before the Official was first elected as Governor. Applicant represents that all of the Funds in which the Client is an investor are commingled closed-end funds (*i.e.*, funds with multiple institutional investors) and, accordingly, the Funds’ investors, including the Client, do not have the ability to withdraw or redeem capital. Applicant represents that the investors’ investment capital is committed at the time of subscription and effectively locked-in for the duration of a Fund’s term to maturity. Applicant represents that each of the Funds in which the Client is an investor is “fully drawn” and in varying stages of liquidation. Applicant represents,

based on these considerations, that the Client has not had any investment decisions to consider with respect to the Funds since the Client's last investment commitment in 2007.

5. Applicant represents that, based on Applicant's general knowledge and representations from the Client subsequent to 2007, Applicant generally understood that the Client did not have investment capital available for additional investments in either the Funds or any new real estate-focused investments managed by Applicant. Applicant represents that, as a result, neither the Applicant nor the Contributor has engaged in any investment solicitation of the Client since the Client's last investment commitment in 2007. Applicant further represents that, at the time of the Contribution, the Contributor did not plan to solicit the Client (or any other government entity for which the Official is an "official" as defined in rule 206(4)-5) for any other investments, and the Applicant did not have any intention to solicit the Client (or any other government entity for which the Official is an "official" as defined in rule 206(4)-5) for any other investments.

6. Applicant represents that the Contributor's role with the Client was limited to making substantive presentations to the Client's representatives regarding the investment strategies of the Funds and that the Contributor had no contact with any representative of the Client outside of those presentations, and no contact with any member of the Client's board.

7. Applicant represents that at no time did the Applicant or any employees of the Applicant other than the Contributor have any knowledge of the Contribution prior to its discovery by Ares's Compliance Department in July 2013. Applicant represents that the Contribution was discovered by Ares' Compliance Department through the Contributor's voluntary disclosure in response to a political contribution questionnaire, and that the Contributor obtained a full refund of the Contribution within one week after the Contribution

was discovered. Applicant represents that it established an escrow account for the benefit of the Client and deposited an amount equal to the sum of all fees paid to the Applicant with respect to the Client's investments in the Funds since the date of the Contribution. Applicant represents that additional fees with respect to the Client's investments in the Funds accruing in favor of the Applicant will continue to be deposited in the escrow account until it is determined whether exemptive relief will be granted to the Applicant, which amounts will be immediately returned to the Client should an exemptive order not be granted.

8. Applicant represents that at all relevant times it had compliance procedures requiring pre-clearance and reporting of all of its employees' proposed political contributions and that these procedures have been more restrictive than is required under rule 206(4)-5. Applicant represents that all contributions to state and local office incumbents and candidates are subject to pre-clearance and that there are no exceptions for *de minimis* contributions. Applicant represents that its employees are reminded periodically during the year of these procedures and that all employees are required to certify their compliance on a periodic basis; a request for a contribution like the Contribution would have been rejected under the procedures. Applicant represents that the Contributor was aware of (and otherwise in compliance with) the procedures but, because neither the Applicant nor the Contributor had solicited any investments in the Funds from the Client or the State of Colorado since 2007, the Contributor failed to appreciate that the Contribution was subject to the procedures.

9. After learning of the contribution, Applicant represents that it has taken steps designed to limit the Contributor's contact with representatives of the Client. Applicant represents that the Contributor was informed that he could not solicit new investment commitments from the Client and that his communications with the Client with respect to the

Funds should be limited to responding to inquiries from the Client's representatives and consultants with respect to the status of the Funds' investment portfolios. Applicant represents that the Contributor has been directed to maintain a log of such interactions in accordance with the retention requirements set forth in rule 204-2(e).

#### Applicant's Legal Analysis

1. Rule 206(4)-5(a)(1) under the Advisers Act prohibits a registered investment adviser from providing investment advisory services for compensation to a government entity within two years after a contribution to an official of the government entity is made by the investment adviser or any covered associate of the investment adviser. The Client is a "government entity," as defined in rule 206(4)-5(f)(5), the Contributor is a "covered associate" as defined in rule 206(4)-5(f)(2), and the Official is an "official" as defined in rule 206(4)-5(f)(6). Rule 206(4)-5(c) provides that when a government entity invests in a covered investment pool, the investment adviser to that covered investment pool is treated as providing advisory services directly to the government entity. The Funds are "covered investment pools," as defined in rule 206(4)-5(f)(3)(ii).

2. Section 206A of the Advisers Act grants the Commission the authority to "conditionally or unconditionally exempt any person or transaction . . . from any provision or provisions of [the Advisers Act] or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of [the Advisers Act]."

3. Rule 206(4)-5(e) provides that the Commission may exempt an investment adviser from the prohibition under Rule 206(4)-5(a)(1) upon consideration of the factors listed below, among others:

(1) Whether the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act;

(2) Whether the investment adviser: (i) before the contribution resulting in the prohibition was made, adopted and implemented policies and procedures reasonably designed to prevent violations of the rule; and (ii) prior to or at the time the contribution which resulted in such prohibition was made, had no actual knowledge of the contribution; and (iii) after learning of the contribution: (A) has taken all available steps to cause the contributor involved in making the contribution which resulted in such prohibition to obtain a return of the contribution; and (B) has taken such other remedial or preventive measures as may be appropriate under the circumstances;

(3) Whether, at the time of the contribution, the contributor was a covered associate or otherwise an employee of the investment adviser, or was seeking such employment;

(4) The timing and amount of the contribution which resulted in the prohibition;

(5) The nature of the election (e.g., federal, state or local); and

(6) The contributor's apparent intent or motive in making the contribution which resulted in the prohibition, as evidenced by the facts and circumstances surrounding such contribution.

4. Applicant requests an order pursuant to section 206A and rule 206(4)-5(e), exempting it from the two-year prohibition on compensation imposed by rule 206(4)-5(a)(1) with

respect to investment advisory services provided to the Client within the two-year period following the Contribution.

5. Applicant submits that the exemption is necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicant further submits that the other factors set forth in rule 206(4)-5(e) similarly weigh in favor of granting an exemption to the Applicant to avoid consequences disproportionate to the violation.

6. Applicant states that the Client first determined to invest in the Funds advised by the Applicant over fifteen years before the Contribution was made, and established and maintains its relationships with the Applicant on an arms'-length basis free from any improper influence as a result of the Contribution. In support of this argument, Applicant states that the most recent investment commitment in the Funds was made by the Client in 2007; due to the locked-in nature of the Client's investment capital in the Funds and the fact that the Funds are fully funded, the Client had no current investment decision to consider at the time of the Contribution and no new or additional investment commitments, nor any withdrawals, could have been made by the Client after the Contribution. Applicant also states that neither Applicant nor the Contributor engaged in any investment solicitation of the Client since the Client's last investment commitment to the Applicant in 2007 and that, at the time of the Contribution, the Contributor did not plan to solicit the Client (or any other government entity for which the Official is an "official" as defined in rule 206(4)-5) for any other investments, and the Applicant did not have any intent to solicit the Client (or any other government entity for which the Official is an "official" as defined in rule 206(4)-5) for any other investments.



7. Applicant states that at all relevant times it had policies which were fully compliant with, and more rigorous than, rule 206(4)-5's requirements at the time of the Contribution. Applicant further states that at no time did Applicant or any employees of Applicant, other than the Contributor, have any knowledge that the Contribution had been made prior to its discovery by Ares' Compliance Department in July 2013. After learning of the Contribution, Applicant and the Contributor took all available steps to obtain a return of the Contribution, which was returned within one week of discovery, and the Applicant set up an escrow account in which all fees charged to the Client's capital accounts in the Funds since the date of the Contribution were, and will continue to be, deposited by Applicant in the escrow account for immediate return to the Client should an exemptive order not be granted.

8. Applicant states that the Contributor's apparent intent in making the Contribution was not to influence the selection or retention of the Applicant. Applicant states that the Contributor has a long history of making permissible contributions to candidates that share the general political views of the Official. The amount of the Contribution, profile of the candidate, and characteristics of the campaign fall generally within the pattern of the Contributor's other political donations. Applicant further states, as discussed above, that the Contributor has confirmed that he has not, at any time, had any contact with the Official regarding the Client's investment activities with the Applicant, or otherwise met or spoken with or otherwise communicated with the Official, and that the Contributor's role with the Client was limited to making substantive presentations to the Client's representatives regarding the investment strategies of the Funds and that the Contributor had no contact with any representative of the (or its board) outside of making those presentations. Following the Contribution, Applicant took

steps designed to further limit and document any such contact during the duration of the two-year time out on compensation.

#### Applicant's Conditions

Applicant agrees that any order of the Commission granting the requested relief will be subject to the following conditions:

1. The Contributor will be prohibited from discussing any business of the Applicant with any "government entity" client for which the Official is an "official," each as defined in rule 206(4)-5(f), until February 11, 2015.

2. Notwithstanding Condition 1, the Contributor is permitted to respond to inquiries from the Client regarding the Funds. The Applicant will maintain a log of such interactions, which will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

3. The Contributor will receive a written notification of these conditions and will provide a quarterly certification of compliance until February 11, 2015. Copies of the certifications will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

4. The Applicant will conduct testing reasonably designed to prevent violations of the conditions of this Order and maintain records regarding such testing, which will be maintained and preserved in an easily accessible place for a period of not less than five years, the

first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

For the Commission, by the Division of Investment Management, under delegated authority.

Kevin M. O'Neill,  
Deputy Secretary.

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